

INTENDED USE PLAN

DRINKING WATER STATE REVOLVING FUND LEVERAGED LOAN PROGRAM FOR STATE FISCAL YEAR 2007 (JULY 1, 2006 to JUNE 30, 2007)

Approved by the Safe Drinking Water Commission
July 18, 2006

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176
Jefferson City, MO 65102-0176

MEMORANDUM

DATE:

TO: All Interested Persons

FROM: Edward Galbraith, Director
Water Protection Program

SUBJECT: State Fiscal Year (SFY) 2007 Intended Use Plan (IUP) for the Drinking Water
State Revolving Fund (DWSRF) Leveraged Loan Program

Many public drinking water systems, particularly small systems, have difficulty obtaining affordable financing for infrastructure improvements. Recognizing this fact the U.S. Congress established the DWSRF program as part of the Safe Drinking Water Act Amendments of 1996. Each year the Congress authorizes a capitalization grant to states for the DWSRF program. Most of the grant is used to make low interest loans to public drinking water systems. These loans help systems improve infrastructure, comply with the Safe Drinking Water Act, and protect public health. The DWSRF program allows states to reserve up to 31 percent of the grant to fund activities that support its public drinking water program, enhance the managerial, financial, and technical capacities of public drinking water systems, and protect sources of drinking water.

Each year, the Missouri Department of Natural Resources prepares a plan describing how it intends to use federal and state funds for DWSRF activities. This plan is associated with only the portion of the federal capitalization grant for federal fiscal year 2006. The state anticipates it will receive a grant of \$15,978,200. Of the total, 74 percent (\$11,823,868) will be used for leveraged loans and disadvantaged community loans. The remaining 26 percent (\$4,154,332) will be used for authorized set-aside activities. The plan associated with the portion of the federal capitalization grant for drinking water set-aside activities is addressed in a separate IUP.

The interest rate for DWSRF leveraged loans will be approximately 70 percent below the interest rate of a conventional loan. This plan includes a list of all applicants that have applied for a leveraged loan and based on their readiness to proceed and priority ranking their status for receiving available funds. In addition, beginning in SFY 2007, the department is proposing to implement a disadvantaged community loan program. For a qualifying disadvantage small communities, this loan program will provide financial assistance with reduced eligibility requirements and even lower interest rates.

Also included in this plan is the DWSRF leverage loan application package for funds associated with the anticipated federal capitalization grant for federal fiscal year 2007. The initial receipt deadline for DWSRF leverage loan applications is November 15, 2006 for funds available next year.

If you have any questions regarding this plan, please contact Stephen Jones, P.E., of my staff at (573) 522-1803 or email stephen.jones@dnr.mo.gov.

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I. INTRODUCTION

Providing safe, clean drinking water to people served by public water systems in Missouri is an important goal of federal, state and local officials. While Missouri drinking water is among the safest in the world, the owners and operators of Missouri drinking water systems know that they must make significant infrastructure improvements to continue supplying safe drinking water to their customers. In 2003, the Missouri Department of Natural Resources (hereafter referred as “the department”) in coordination with the U.S. Environmental Protection Agency (EPA) conducted an assessment of Missouri’s public water systems current and 20-year capital infrastructure needs. From the results of the assessment, it is estimated that \$2.5 billion is needed to address Missouri’s current drinking water rehabilitation and replacement needs. In addition, an additional \$3.5 billion will be required to address the rehabilitation and replacement work not currently needed but will be needed in the next 20 years.

Many public water systems, particularly small water systems have difficulty obtaining affordable financing for the current infrastructure improvements needed. Recognizing this fact the U.S. Congress established the DWSRF program as part of the Safe Drinking Water Act Amendments (SDWA) of 1996. Each year the Congress authorizes capitalization grants to states for the DWSRF program. Most of the grant is used to make low interest loans to public drinking water systems to fund high priority infrastructure projects. States are allowed to reserve up to 31 percent of the grant to fund authorized activities that support its drinking water program.

The department’s Water Protection Program (WPP) is the delegated authority for the administration of federal funds made available to the state under the provisions of the SDWA by the EPA. Through calendar year 2005, the department has awarded low interest loans totaling about \$222 million to drinking water systems for infrastructure improvements. This DWSRF Intended Use Plan (IUP) describes the proposed use of funds reserved for low interest loans for SFY 2007 (July 1, 2006 to June 30, 2007).

Operation and management of the DWSRF program is directed by regulations 10 CSR 60-13.010 through 10 CSR 60-13.030.

II. GOALS AND OBJECTIVES

Each year the department evaluates the operations and the financial structures of the DWSRF program to gauge the program effectiveness. Long- and short-term objectives are proposed to improve program services and investment returns. Assessment of the improvement effort is included in the Biannual Report. The following sections present the current strategies for program improvement.

A. Long-Term Objectives.

The following long-term (3-5 years) objectives have been developed with the goal of improving the DWSRF operation and service to its clients.

Objective 1. Support the department’s goal of ensuring that all Missouri citizens will have water that is always safe to drink.

Objective 2. Conduct year by year financial analyses of the availability and use of DWSRF funds reserved for loans to ensure a self-sustaining leveraged loan program to facilitate compliance with the SDWA by all public drinking water systems.

Objectives 3. Promote coordination efforts both within and outside the agency for the purpose of expediting the funding of projects.

Objectives 4. Evaluate and recommend DWSRF related regulation changes needed to remove unnecessary delays and restrictions, and improve coordination with the USDA Rural Development (RD) and the Department of Economic Development (DED) on loan processing.

B. Short -Term Objectives.

The following short-term (1-3 years) objectives have been developed with the goal of improving the DWSRF's immediate operations and the availability of services to its clients.

Objective 1. Update the DWSRF Priority Point Criteria and Readiness to Proceed Criteria.

- Have both criterion updated and approved by the Missouri Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (November 15, 2006).

Objective 2. Continue the development of a DWSRF Disadvantaged Community Program.

- Issues to be addressed include the definition of a “disadvantaged” community; determination of interest rates and administrative fees, or their waiver; development of a small direct loan program to be used to finance facility plans; and exploration of other available options that would benefit disadvantaged communities.

Objective 3. Maximize the use of available leveraged loan funds for eligible loan projects in accordance with the priority and procedures described in this plan.

Objective 4. Continue efforts to streamline program activities in an effort to increase the timely and efficient use of program resources.

- Follow through with the changes initiated during the “Kaizen” waste reduction workshop shortening the application-to-closing process from the present 18-24 months to 5.5 months.
- Use waste reduction workshops to analyze additional portions of drinking water procedures, including the construction component of projects, change orders, payments and the entire accounting process.
- Revise program checklists and forms to comply with waste reduction recommendations. Changes will clarify required technical information needed for loan applications, and reconcile differing Finding of No Significant Impact (FONSI) processes between RD and DED.
- Develop procedures for loans to be awarded as direct loans immediately upon completion of all requirements, and then folded seamlessly, without additional burden to communities, into a leveraged pool at a later date.

Objective 5. Develop a combined CW and DWSRF annual report for public distribution, separate from the complex, regulatory format required for EPA.

Objective 6. Prepare an intended use plan(s) based on the anticipated receipt of the Federal Fiscal Year 2007 DWSRF Capitalization Grant for Missouri for SFY 2008.

Objective 7. Continue to market the loan programs to ensure the maximum solicitation of eligible projects in SFY 2007 in total amount equal to at least 150 percent of the estimated available funds.

Objective 8. Evaluate and recommend DWSRF-related regulation changes needed to remove unnecessary delays and restrictions, and improve coordination with the USDA RD and the DED on loan processing.

Objective 9. Develop software for estimating water rates that meets the financial requirements of the DWSRF Leveraged Loan program.

III. ALLOCATION OF DRINKING WATER CAPITALIZATION GRANT

This summary of financial status anticipates the award of a federal capitalization grant from the U.S. Environmental Protection Agency (EPA) for Missouri's DWSRF program associated with FFY 2006.

The SDWA amendments of 1996 authorize funding for the Drinking Water State Revolving Fund, and Congress appropriates this funding annually. Each state and U.S. territory is eligible for a portion of this funding. Also, the SDWA authorizes EPA to use a portion of the funding for health effects studies, small system technical assistance, monitoring of unregulated contaminants, and operator certification reimbursement grants. EPA allots the remaining funds appropriated for the DWSRF to each state based on the state's proportional share of total eligible needs reported for the most recent Drinking Water Infrastructure Needs Survey, which is conducted every four years. Currently, Missouri's allotment is 1.94 percent of these funds.

For federal fiscal year 2006, Congress has authorized appropriation of \$850 million (with 1.476 percent rescission) for the DWSRF. The amount of the FFY 2006 grant for Missouri is expected to be \$15,978,200. The department will reserve 74 percent (\$11,823,868) of the FFY 2006 capitalization grant for DWSRF leveraged loans and DWSRF disadvantaged community loans to eligible public water systems. The remaining 26 percent (\$4,154,332) will be reserved in a separate account for authorized set-aside activities as described in a separate intended use plan. Of the 74 percent reserved for loans, 64 percent (\$10,226,048) will be reserved for DWSRF leveraged loans and 10 percent (\$1,597,820) will be reserved for disadvantaged community loans.

IV. DWSRF LEVERAGED LOAN PROGRAM

A. Terms of Financial Assistance.

The department's main DWSRF financial assistance program will continue to operate as a leveraged loan program. The department issues leveraged loans twice a year, once in the fall and once in the spring. In a leveraged loan program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the portion of the capitalization grant designated for loans is deposited in a reserve account, and pledged as security for repayment of issued leveraged bonds. Various program funds are invested with the earnings providing the interest subsidy. This allows interest rates at approximately 70 percent less than the market rate. The department, with the assistance of the Missouri Environmental Improvement and Energy Resources Authority (EIERA), examined several models for leveraging the EPA capitalization grant. The selected model assumed the revenue bond issue would receive an AAA rating, that loan recipients would pay interest equal to approximately 30 percent of the market rate, and that the EPA capitalization grant would be placed in a reserve account equal to approximately 70 percent of the amount of revenue bonds sold. Section VII describes in more detail the method used for leveraging the EPA capitalization grant.

Maximum loan terms, interest rate subsidies and other terms are the same for all participants. The maximum repayment term of each loan is 20 years. Participants will pay a 0.5 percent administrative fee. (The department accounts for this administrative fee separately in a non-project administration

account). Privately owned systems on the fundable list must secure an allocation under the state's private activity bond cap and obtain necessary approvals from the Missouri Public Service Commission.

To accelerate projects, applicants on the fundable list are eligible for interim direct loans. The direct loan will be paid in full upon origination of the leveraged loan.

B. Solicitation of DWSRF Leveraged Loan Applications for SFY 2007.

The application process was open to all eligible systems (all community public water systems and not for profit noncommunity public water systems not owned by the federal government). The Missouri Safe Drinking Water Regulations require the department to have the application package for leveraged loans available to the public at least 60 days prior to the deadline for receipt of applications. The application package consists of application form, Priority Point Criteria and Readiness to Proceed Criteria. The Priority Point Criteria describes the criteria that the department uses to prioritize leverage loan applications. The Readiness to Proceed Criteria describes the minimum criteria that an applicant must meet to be eligible to be placed on the fundable list. Both the Priority Point Criteria and Readiness to Proceed Criteria were advertised for public comments and a public meeting was held on the proposed criteria. On September 8, 2005 the Missouri Safe Drinking Water Commission (SDWC) approved both criteria. On September 13, 2005 the department made the DWSRF leveraged application package available to the public with an initial application receipt deadline of November 15, 2005. Applications received by the initial deadline that met "Readiness to Proceed" received priority for funding over those received after the deadline. The department issued a notice informing the public of the availability of DWSRF loan applications. Individual notifications were sent to all city water systems and water districts, as well as engineering firms, in Missouri.

The department received 17 applications. All applications were first reviewed to determine if the proposed projects were eligible and if the applicant met the financial requirements of the DWSRF leveraged loan program. Only one applicant, city of Desloge, was determined to be ineligible because of the type of the proposed use. Using the Priority Point Criteria and Readiness to Proceed Criteria approved by the SDWC, the department evaluated each application to assign priority points to each applicant and determine if the applicant met the Readiness to Proceed criteria.

C. Solicitation of DWSRF Leveraged Loan Applications for SFY 2008.

In SFY 2007 the department will solicit leveraged loan applications for DWSRF loan funds available in SFY 2008. The process that will be used for solicitation and review of the applications will follow the same process and procedures described in this plan. Attachment B contains the loan application package for SFY 2008. The package includes the application form and instruction, Priority Point Criteria and Readiness to Process Criteria. The initial application receipt deadline for SFY 2008 applications is **November 15, 2006**. Applications received by November 15, 2006, that meet Readiness to Proceed Criteria, will receive priority for funding over those received after that date.

Carryover projects in the SFY 2007 IUP are not eligible to compete in the SFY 2008 IUP unless reapplication is made by November 15, 2007.

D. Assistance to Small Communities.

Missouri law requires that at least 35 percent of the of the monies credited to the DWSRF program for loans shall be made available to eligible water systems serving fewer than 10,000 people. (This is greater than the 15 percent minimum federal requirement for water systems serving fewer than 10,000 people.) Of the 35 percent, 20 percent is for systems serving 3,300 or fewer people, and 15 percent is for systems serving from 3,301 to 9,999 people.

To demonstrate this commitment, the fundable list contained in Attachment A (Missouri Fundable Projects for Drinking Water State Revolving Loans for State Fiscal Year 2007) has three parts, the Very Small Community 20 percent Reserve, Small Community 15 percent Reserve and the General 65 percent Reserve. The General 65 percent Reserve is not restricted to systems of a certain population.

E. Priority System.

The department prioritized new leveraged loan projects received in SFY 2006 using the Priority Point Criteria, approved by the SDWC on September 8, 2005, after a period of public review.

Projects carried over from the last IUP (SFY 2006 IUP) retain the points they received under the criteria in effect at the time unless they reapplied for consideration under the criteria on September 8, 2005. The department assigns priority points based on the overall project. The table entitled “Comprehensive List” in Attachment A, list the all the new and carry over DWSRF leveraged loan projects from highest to lowest priority points.

F. Readiness to Proceed.

In order to assure the best use of available DWSRF loan funds in a reasonably expeditious manner, the department will not commit available funds to a project until an applicant has demonstrated a “Readiness to Proceed” in accordance with the Readiness to Proceed Criteria. Readiness to Proceed is defined as the condition when an applicant has submitted to the department a complete facility plan for approval and has established an acceptable debt instrument for their proposed project. Those projects that meet Readiness to Proceed will be placed on the fundable list or fundable contingency list as described in Subparagraphs IV.1. and 2. Projects that do not meet Readiness to Proceed will be placed on a planning list as described in Subparagraph IV.G.3. However, projects that initially applied for loans and were on the fundable list prior to the implementation of the Readiness to Proceed Criteria were grandfathered from having to meet Readiness to Proceed to remain on the fundable list last year. Grandfathered projects that have reapplied this year, will be placed on the fundable list even if they still do not meet Readiness to Proceed. The department will keep these projects on the fundable list for the next two years with the understanding that after that the projects will have to demonstrate compliance with “Readiness to Proceed” to compete for continued placement on the fundable list.

G. Ranking of DWSRF Loan Projects

Projects that the department has committed to finance with available state revolving loan funds under this IUP are listed in Attachment A, “Missouri’s Comprehensive List and Fundable Projects List for Drinking Water State Revolving Fund Leveraged Loans for State Fiscal Year 2007.” The department, after appropriate public notice and with the approval of the Missouri SDWC, may modify or change the fundable list in order to maximize the use of uncommitted available funds or to bypass projects that do not make satisfactory progress toward meeting requirements for assistance. Only those applicants on the

fundable list may receive loans under this plan (except in the case of a bypass or amendment as described elsewhere in the plan). The criteria for each list are defined as follows.

1. Fundable List

Carry-over projects from last year's intended use plan and new projects received this year that meet the criteria for Readiness to Proceed will be placed on the appropriate fundable list in order of priority ranking. Carry-over projects that were on the fundable list from the last IUP (SFY 2006 IUP) will remain on the fundable list regardless of their priority ranking. The department will reserve the requested funding for these projects for the remainder of the project application period (unless by-passed for failure to progress).

2. Fundable Contingency List

These are eligible projects that meet Readiness to Proceed, but, due to priority ranking or timing, there is no funding available for the projects. Projects will be ranked on the list in accordance with their priority points. If uncommitted funds become available, the department, with SDWC approval, will move the highest-ranking project from this list to the fundable list.

3. Planning List

Eligible DWSRF applications that do not meet Readiness to Proceed, will be placed on the planing list and be ranked according to their priority points. Any application on this list that meets the Readiness to Proceed at least five working days prior to the next SDWC meeting, with the approval of the SDWC, will be moved to the fundable or fundable contingency list depending on availability of uncommitted funds and their priority points.

H. Modifications

After the SDWC adopts this intended use plan, the SDWC may modify the lists or redistribute the available DWSRF funds in accordance with paragraphs below. The SDWC may only take this action after providing notice to those projects directly affected.

The SDWC may use an uncommitted balance to modify the funding of a project or to fund a project on the contingency list based on project priority and Readiness to Proceed. It may also designate phased projects, which will receive 100 priority points in the next plan in addition to the regular priority. Phased projects that do not receive complete funding in the two-year eligibility period must submit a new application for the remainder of the project and re-compete. The department will review substitutions or changes in scope as a new application.

The SDWC may bypass projects on the fundable list that do not make satisfactory progress toward meeting requirements for assistance. Rules governing bypass procedures appear in 10 CSR 60-13.020(3)(A).

To facilitate the timely and expeditious use of available DWSRF funds, eligible applications that are not received in time to be placed on the project lists adopted by the SDWC and received before September 1, 2006 will be evaluated upon receipt. By amendment, the SDWC will place the new project(s) on the appropriate project list in accordance with paragraph IV.G.

1. Inadequate Allocations

If the actual federal DWSRF allocations are less than the allocations anticipated by the SDWC in the development of the DWSRF priority lists, or if previous allocations are reduced, the commission may find it necessary to reduce their commitments to projects on the priority lists. The SDWC may take formal action to reduce the number of commitments in accordance with subparagraphs a-c of this paragraph.

- a. The SDWC may reduce the funds allocated to each purpose as describe in Section III.
- b. The SDWC may remove the lowest priority projects from the fundable priority lists, placing these projects on the fundable contingency list in a position dictated by their priority relative to other projects on that contingency fundable list.
- c. The SDWC may bypass projects on the fundable lists in accordance with paragraph IV.I. of this document.

2. Unanticipated and Uncommitted Funds

If unanticipated or uncommitted funds become available, the SDWC may take formal action to distribute them in accordance with subparagraphs 1-3 of this paragraph.

- a. The SDWC may use the unanticipated or uncommitted funds to move the highest priority project(s) from contingency fundable list to the fundable list.
- b. The SDWC may use the unanticipated or uncommitted funds to increase the amount of funds allocated to the various purposes as shown on Table 1 of the IUP for DWSRF Set-aside programs.

- 3. The SDWC may increase the amount of funds allocated to projects on the fundable lists or to provide increased assistance to projects which have already received assistance.

I. Bypass Procedures

The department may by-pass any project on the fundable list that does not make satisfactory progress toward meeting DWSRF loan requirements. Procedures for bypassing projects are contained in 10 CSR 60-13.020(3)(A). Projects grandfathered under paragraph IV.E. will be considered first for by-passing.

J. Assistance for Disaster Relief

The department may provide financial assistance to projects that address direct or indirect damage to a drinking water system in a declared disaster area. Funding is available under the DWSRF leveraged loan and Drinking Water State Direct Loan Program for disaster related projects. Assistance may include reducing the interest liability of the recipient. The department may also provide these projects with advance authority to construct in accordance with 10 CSR 60-13.030(4). These projects may be given preferential priority ranking when determining the use of uncommitted DWSRF leveraged loan funds and Drinking Water State Direct Loan funds.

K. Estimation of Available DWSRF Leveraged Loan Funds

The department intends to leverage the project loan funds at an effective subsidy rate of 70 percent. As stated before, 64 percent (\$10,226,048) of the anticipated federal drinking water capitalization grant in FFY 2006 will be deposited in the Reserve Account and be available to leverage future loans. Table 1 shows the total amount of the Project Loan Funds available for leveraged loans in this IUP.

Table 1.

STATE FISCAL 2007 INTENDED USE PLAN SOURCE AND DISTRIBUTION OF FUNDS					
Description		Current		Anticipated	Balance
1. Capitalization Grant Funds					
FFY2000		0		\$27,232	\$27,232
FFY2001		\$257,561		\$8,339	\$265,901
FFY2002		\$763,344		\$943,465	\$1,706,809
FFY2003		\$377,434			\$377,434
FFY2004		\$7,438,492			\$7,438,492
FFY2005		\$8,910,562			\$8,910,562
FFY2006				\$10,226,048	\$10,226,048
Total Capitalization Grant Funds		\$17,747,394		\$11,205,084	\$28,952,478
2. Repayment Funds		\$18,749,801		\$577,121	\$19,326,922
3. Reserve Receivable				\$3,264,513	\$3,264,513
4. Total Funds Available		\$36,497,195		\$15,046,718	\$51,543,913
5. Loan Commitments		(\$30,407,070)		0	(\$30,407,070)
6. Total Estimated Funds		\$6,090,125		\$15,046,718	\$21,136,843
7. Total Estimated Leveraged Available (Line 6 divided by 0.7)		\$8,700,179		\$21,495,311	\$30,195,490

V. DWSRF DISADVANTAGED COMMUNITY LOAN PROGRAM

To help meet the unique needs of economically distressed community, the national DWSRF program allows the department to reserve a portion of the DWSRF grant to establish a disadvantaged community loan program. Under the disadvantaged community loan program, the department may provide additional subsidies such as principal forgiveness, lower interest rates, or extending the loan repayment period to up to 30 years. This additional assistance can make a substantial difference in terms of improving water system compliance, getting needed projects constructed and maintaining affordable water service.

The department is reserving 10 percent (\$1,597,820) of the FFY 2006 capitalization grant for funding a disadvantaged community loan program in SFY2007. The department will establish a disadvantaged

community loan program and begin accepting applications for the program in SFY 2007. The department will report on its findings and progress in establishing the program to the SDWC at the commission's regular meetings. If the department does not use the entire authorized amount, all or part of it will either be banked and used for the same activity next year, or be transferred to the leveraged loan funds.

A disadvantaged community loan program may include loan terms of up to 30 years with loan interest subsidy of 70 to 100 percent.

The department will coordinate the efforts of the drinking water disadvantaged community loan program with other state and federal programs, including state-funded grant and loan programs, to meet the needs of disadvantaged communities.

VI. CROSS-COLLATERIZATION

The state implements cross-collateralization between this program and the Clean Water State Revolving Fund (CWSRF) as authorized by federal and state laws.

VII. CASH FLOW MODEL AND STATE MATCH NARRATIVE

The following describes how the department leverages funds through the use of bonds to generate an effective 70 percent subsidized interest rate for loans. This section also describes the method for providing the required state match. All of the following description refers to Flow Chart A on page 14. This method has been reviewed and approved by the U.S. EPA.

A. Construction Loan Fund

The loan recipient generates construction funds through the issuance of bonds. The bonds are purchased by the EIARA and resold nationally (A). The net proceeds of the EIARA bond issuance are placed with a trustee bank in a fund titled the "Construction Loan Fund" (B). As construction progresses, monies are released to the recipient from the Construction Loan Fund to pay contractors, suppliers and consultants (C). The recipient is obligated to pay back all funds received, plus any interest charges and fees that investment earnings do not cover.

The Restricted Account (J) in the Debt Service Fund is used only if funds remain in a participant's Construction Loan Fund after completion of disbursements. Funds remaining in the Construction Loan Fund after completion of disbursements are transferred to the Restricted Account where they are used to pay debt service on the EIARA Bonds.

B. Interest Subsidy

The Water and Wastewater Loan Revolving Fund (WWLRF) (D) is capitalized by grants from EPA (E). Portions of the monies are transferred to the Reserve Fund (G) for the DWSRF.

Each time construction funds are released from the Construction Loan Fund (B), funds equal to approximately 70 percent of the released amount are transferred from the WWLRF (D) to the Reserve Fund (G), which is held by the trustee bank (H). Investment earnings on the Reserve Fund (G) are used to pay a portion of the interest cost of the EIARA bonds, thus reducing the interest liability of the loan recipient. The reserve account restricts earnings to prevent arbitrage.

C. State Match

Of the EIARA bonds sold to generate 100 percent of the project costs, an appropriate percentage is clearly identified as state match. The remaining amounts are referred to as leveraged bonds. After paying cost of issuance, the balance of the proceeds are deposited into the Construction Loan Fund (B). As Construction Loan Funds are utilized for project costs, federal grant funds (E) are drawn and paid into the Reserve Fund (G) to secure the leveraged (non-match) bonds in an amount equal to 70 percent of the par plus premium total. At the time of a debt service payment (I), all interest earnings are first used toward the match bond debt (F). Any remaining earnings are used to subsidize the participant's debt service payment. As debt service is paid, generally over 20 years, funds are released proportionally from the Reserve Fund (G) to the WWLRF (0602) as repayment of the loan.

D. Repayments

Loan repayments must begin within one year after the completion of the first construction contract. The payment schedules will generally consist of semi-annual interest payments and annual principal payments (K). The trustee bank holds the payments in separate recipient accounts (K) outside the SRF. Interest earnings on these recipient accounts are credited to the debt service account (I) and used when the payment is made to the bondholders (F). When an interest payment is due to the bondholders, the trustee bank will make the payment by combining the recipient's construction loan earnings (B), if any, the interest on the reserve fund (G) and the interest payments by the recipient (K), and transferring them to EIARA's bondholders (F). The trustee bank (I) will make each principal payment (K) from funds paid by the recipient to the trustee. Principal payments will also trigger the transfer of a proportionate amount of the Reserve Fund (G) back to the proper subaccounts of the WWLRF (D). These revolving funds can then be used again to support new construction projects.

E. Loan Fee

The department will charge a loan fee that is calculated as .7143 percent for both CWSRF and DWSRF per annum on the balance in the Reserve Fund. The recipient will pay the loan fees to the department (L).

F. Cross-Collateralization of Funds

In case of default, the first level of security is the Bond Reserve Fund (reserves of 70 percent for CWSRF and DWSRF). As a further credit enhancement, and to assure the best possible bond rating, the Leveraged Loan Program repayment stream can be captured prior to deposit into the subaccounts of WWLRF to remedy defaults of any recipient. The Departments of Veteran Affairs and Housing and Urban Development, and the Independent Agencies Appropriations Act, 1998 (Public Law 105-65) authorized limited cross-collateralization between DWSRF and the CWSRF. Cross-collateralization allows states to use CWSRF funds as security for bonds issued to finance DWSRF projects and vice versa. The cross-collateralization of the two funds may enhance the lending capacity of one or both SRFs. State statute 644.122 RSMO provides the state's legal authority to implement cross-collateralization.

When loan recipients make principal payments, the corresponding release of funds from each participant's reserve account will first pass through the Master Trustee to remedy any instance of default that may have occurred on any other SRF project. If no defaults have occurred, the released amount is deposited into the WWLRF (D-0602). If a default has occurred, and once it has been remedied by the above-described process, payments are made by the defaulting recipient to the fund that provided the default remedy, plus any interest and penalties that accrued to them.

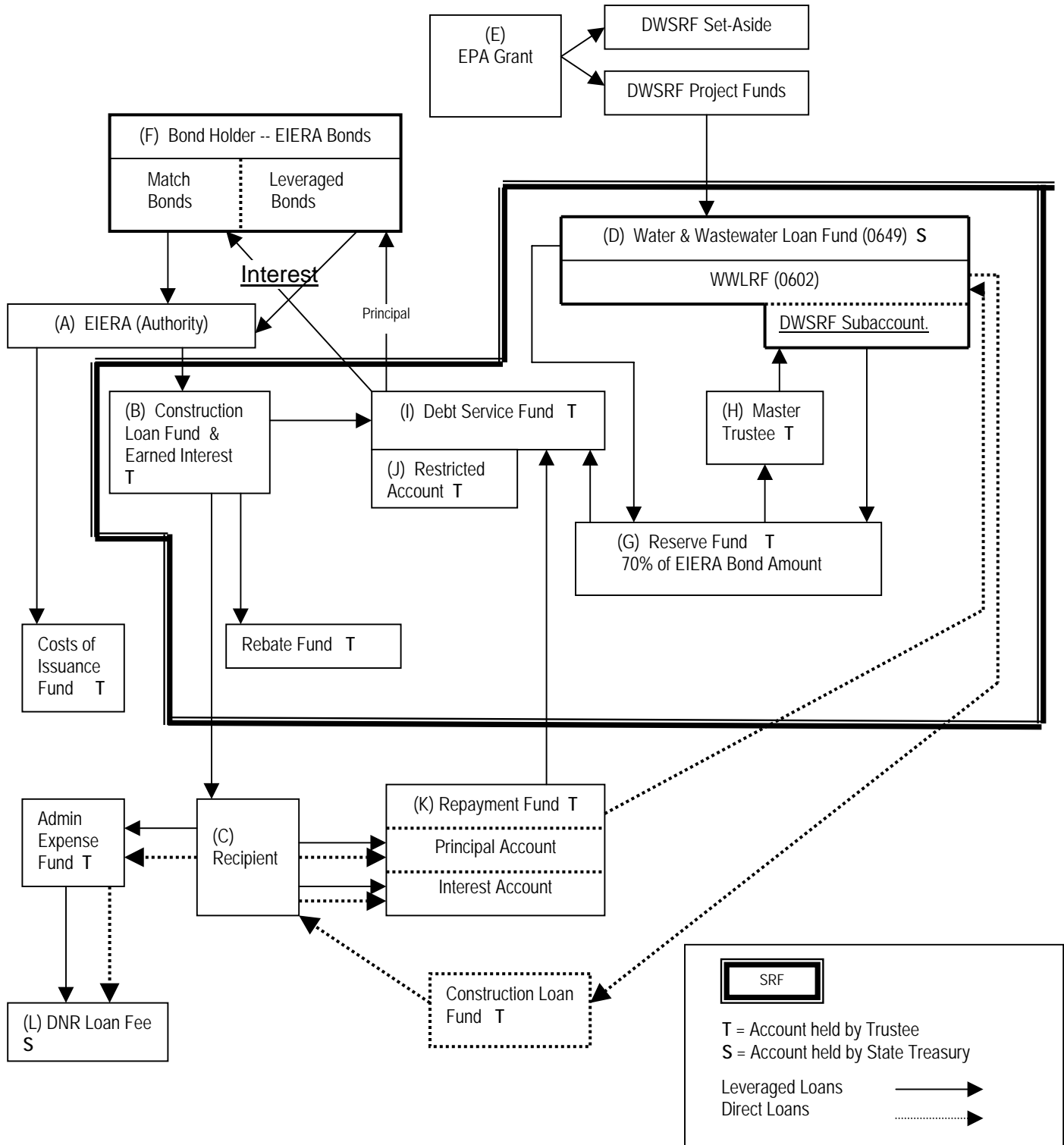
Since only uncommitted repayment funds will be used to remedy defaults (if any) there will be no significant impacts on the short or long-term goals of the programs.

G. Direct Loans

Direct loans are financed with the WWLRF (D-0602). Direct loans may require a ten percent debt reserve fund. Repayments from a direct loan recipient, via the services of a trustee, are deposited into the WWLRF (D-0602).

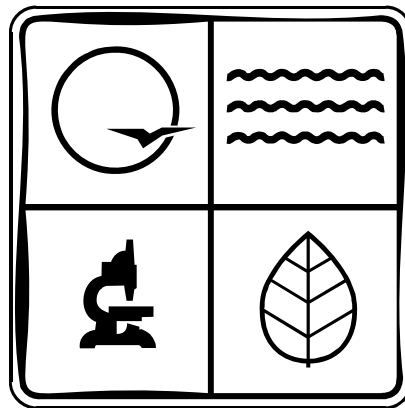
FLOW CHART A

Drinking Water MISSOURI STATE REVOLVING FUND DIRECT AND LEVERAGED LOAN FINANCINGS Cross-Collateralized Leveraged Loans



**Missouri's Comprehensive List and Fundable Project Lists for
Drinking Water State Revolving Fund Leveraged Loans
for
State Fiscal Year 2007**

Approved by the Safe Drinking Water Commission
July 18, 2006



**Prepared by the Missouri Department of Natural Resources,
Water Protection Program**

COMPREHENSIVE LIST						
		Priority Points	Applicant	SRF #	Population served	Loan Request
		115	Crane	DW291205	1,420	\$773,000
		107	Livingston Co. PWSD #3	DW291201	2,210	\$928,000
*		94	Jackson	DW291192	11,947	\$12,233,000
*	X	93	Holcomb	DW291186	840	\$727,000
*	X	90	Adrian	DW291107	4,420	\$4,980,000
		85	Poplar Bluff	DW291204	16,651	\$7,524,000
*		83	Sikeston	DW291188	16,992	\$9,300,000
		82	Cape Girardeau	DW291010-01	36,472	\$7,253,000
*		79	Seneca	DW291157	2,135	\$1,985,000
	X	69	Ironton	DW291145	1,539	\$1,969,000
	X	65	Lake Lafayette	DW291132	348	\$515,000
*		65	Lathrop	DW291195	3,200	\$5,600,000
*		64	Clay Co. PWSD #3	DW291196	3,800	\$4,500,000
		58	Franklin Co. PWSD #1	DW291084	3,200	\$1,507,000
		58	Kirksville II	DW291184	22,836	\$1,600,000
		56	Milan	DW291206	1,958	\$321,000
		50	Richland	DW291202	1,805	\$1,000,000
*		45	Audrain Co. PWSD #2	DW291190	2,260	\$739,000
		45	Washburn	DW291171	448	\$1,294,000
*		44	Cole Camp	DW291199	1,033	\$1,815,000
	X	40	Pleasant Hill	DW291169	6,000	\$917,000
		38	Kirksville – Downtown Project	DW291183-02	17,304	\$1,854,000
*		38	Cameron	DW291193	13,033	\$13,109,000
		22	Marshfield	DW291148-01	6,000	\$1,000,000
*		21	Lake Ozark	DW291194-01	1,489	\$1,326,000
		21	Osage Beach II	DW291150-04	4,100	\$1,918,000
		13	Howell-Oregon Co. PWSD #2	DW291203	2,500	\$520,000
*		11	Lake Ozark	DW291194-02	1,489	\$2,390,000
*		9	Walnut Grove	DW291197	630	\$792,000
		6	Osage Beach (Refinance)	DW291150-03	4,100	\$644,000
					Total	\$91,033,000

* Carried over from last IUP
X Fundable in the last IUP

VERY SMALL COMMUNITY 20% RESERVE FUNDABLE LIST**(Systems that serve a population of 3,300 or less)****FUNDS AVAILABLE**

Available from 20% Reserve\$6,039,098
 Transfer from 15% Reserve.....\$0
 Transfer from 65% Reserve.....\$972,902

TOTAL AVAILABLE FROM RESERVES \$7,012,000

		PRIORITY POINTS	APPLICANT	DWSRF#	POPULATION	DESCRIPTION	PROBLEM CODE	NEEDS CATEGORY	LOAN REQUEST	BALANCE
										\$7,012,000
*	X	93	Holcomb	DW291186	840	Dis, Well, Stor	3	I, III, IV	\$727,000	\$6,285,000
	X	68	Ironton	DW291145	1,539	Source, TP	1	I, II	\$1,969,000	\$4,316,000
	X	65	Lake Lafayette	DW291132	348	Dis	3	IV	\$515,000	\$3,801,000
		58	Franklin Co. PWSD #1	DW291084	3,200	Dis, Stor	2	III, IV	\$1,507,000	\$2,294,000
		50	Richland	DW291202	1,805	Dis, Stor	3	III, IV	\$1,000,000	\$1,294,000
		45	Washburn	DW291171	448	Dis, Stor, Well	3	I, III, IV	\$1,294,000	\$0
								Total	\$7,012,000	

*Carried over from the last IUP

X Fundable in the last IUP

Abbreviations: TP – Treatment; Stor – Storage; Dis – Distribution; Inter – Interconnection.

Problem Codes: 1 – Compliance; 2 – Public Health; 3 – Other.

Need Category Code: I – Source; II – Treatment; III – Storage; IV – Transmission/Distribution; V – Other (labs, upgrades, automation, etc.)

SMALL COMMUNITY 15% RESERVE FUNDABLE LIST
(Systems that serve a population of 3,301 to 9,999)

FUNDS AVAILABLE

Available from 15% Reserve\$4,529,324
 Transfer from 20% Reserve.....\$0
 Transfer from 65% Reserve.....\$5,867,676

TOTAL AVAILABLE FROM RESERVES \$10,397,000

		PRIORITY POINTS	APPLICANT	DWSRF#	POPULATION	DESCRIPTION	PROBLEM CODE	NEEDS CATEGORY	LOAN REQUEST	BALANCE
										\$10,397,000
*	X	90	Adrian	DW291107	4,420	TP	1,2	II, III	\$4,980,000	\$5,417,000
*	X	64	Clay Co. PWSD #3	DW291196	3,800	Dis	3	IV	\$4,500,000	\$917,000
	X	40	Pleasant Hill	DW291169	6,000	Dis	3	IV	\$917,000	\$0
								Total	\$10,397,000	

*Carried over from the last IUP
 X Fundable in the last IUP

Abbreviations: TP – Treatment; Stor – Storage; Dis – Distribution; Inter – Interconnection.

Problem Codes: 1 – Compliance; 2 – Public Health; 3 – Other.

Need Category Code: I – Source; II – Treatment; III – Storage; IV – Transmission/Distribution; V – Other (labs, upgrades, automation, etc.)

GENERAL 65% RESERVE FUNDABLE LIST

FUNDS AVAILABLE

Available from 65% Reserve\$19,627,068
Transfer from 20% Reserve(\$972,902)
Transfer from 15% Reserve(\$5,867,676)

TOTAL AVAILABLE FROM RESERVES \$12,786,490

		PRIORITY POINTS	APPLICANT	DWSRF#	POPULATION	DESCRIPTION	PROBLEM CODE	NEEDS CATEGORY	LOAN REQUEST	BALANCE
										\$12,786,490
		58	Kirksville II	DW291183-01	22,836	Dis, TP	1, 2	II, IV	\$1,600,000	\$11,186,490
								Total	\$1,600,000	

*Carried over from the last IUP
X Fundable in the last IUP

Abbreviations: TP – Treatment; Stor – Storage; Dis – Distribution; Inter – Interconnection.

Problem Codes: 1 – Compliance; 2 – Public Health; 3 – Other.

Need Category Code: I – Source; II – Treatment; III – Storage; IV – Transmission/Distribution; V – Other (labs, upgrades, automation, etc.)

Planning List

	Priority points	Applicant	SRF#	Population	Description	Problem Codes	Needs Category	Loan request
	115	Crane	DW291205	1,420	Dis, Well, Stor	1,3	I, III, IV, V	\$773,000
	107	Livingston Co. PWSD #3	DW291201	2,210	Dis, Stor	3	III, IV	\$928,000
*	94	Jackson	DW291192	11,947	Well, TP	1, 3	I,II,V	\$12,233,000
	85	Poplar Bluff	DW291204	16,651	Dis, Stor, Well, TP	3	II,III,IV, V	\$7,524,000
*	83	Sikeston	DW291188-01	16,992	TP, Stor, Dis, Inter	3	II,III,IV,	\$9,300,000
	82	Cape Girardeau	DW291010-01	36,472	Dis, Stor, well	I,3	I,III,IV	\$7,253,000
*	79	Seneca	DW291157	2,135	Stor, Dis, TP	1, 2, 3	II,III,IV,	\$1,985,000
*	65	Lathrop	DW291195	3,200	Dis	3	IV	\$5,600,000
	56	Milan	DW291206	824	Dis	3	IV	\$321,000
*	45	Audrain County PWSD #2	DW291190	2,260	Dis	1, 2, 3	IV	\$739,000
*	44	Cole Camp	DW291199	1,033	Dis, Stor, Well	3	I,III,IV	\$1,815,000
	38	Kirksville - Downtown Project	DW291183-02	17,304	Dis	3	IV	\$1,854,000
*	38	Cameron	DW291193	13,033	Dis	3	IV	\$13,109,000
	22	Marshfield	DW291148-01	6,000	Dis, Stor	3	III, IV	\$1,000,000
*	21	Lake Ozark	DW291194-01	1,489	Dis	3	IV	\$1,326,000
	21	Osage Beach II	DW291150-04	4,100	Dis	3	IV	\$1,918,000
	13	Howell-Oregon County PWSD #2	DW291203	2,500	Dis, TP	3	I, IV	\$520,000
*	11	Lake Ozark	DW291194-02	1,489	Refinance		V	\$2,390,000
*	9	Walnut Grove	DW291197	630	Dis, Stor	3	III,IV	\$792,000
	6	Osage Beach I (Refinance)	DW291150-03	4,100	Refinance			\$644,000
							Total	\$72,024,000

* Carried over from last IUP

Abbreviations

TP Treatment
 Stor Storage
 Dis Distribution
 Inter Interconnection

Problem Codes

1 Compliance
 2 Public Health
 3 Other

Need Category Codes

I Source
 II Treatment
 III Storage
 IV Transmission/Distribution
 V Other (labs, upgrades, automation, etc.)

DWSRF Leveraged Loan Application
Package
For SFY 2008

RETURN TO:

Missouri Department of Natural Resources
Water Protection Program
P.O. Box 176
Jefferson City, MO 65102-0176

FOR PDWP USE ONLY
PROJECT NUMBER
PRIORITY POINTS
DATE RECEIVED

DRINKING WATER REVOLVING FUND**H. LOAN APPLICATION****Section 1: General Information**

PWS Name

PWS ID No.

PWS Owner

PWS Contact Person for this DWRP Loan Project:

Title _____

Address

Phone Number _____

Fax Number _____

Population served by PWS: ____ < 501; ____ 501 to 3,300;
____ 3,301 to 10,000; ____ 10,001 to 100,000; ____ >100,000.

Project Engineer _____

Phone Number _____

U.S. Congressional District No.

State Senate District No.

State Representative District No.

Section 2: Certified Operator and Emergency Operating Plan. The applicant has provided:

____ Documentation that the PWS has a certified chief operator or expects to have prior to loan award; and

____ Documentation that the PWS has an emergency operating plan or expects to have prior to loan award

Section 3: Estimated Project Costs

Administration/Legal \$_____,000.00

Planning & Design \$_____,000.00

Construction Engineering Services \$_____,000.00

Construction Inspection \$_____,000.00

Construction \$_____,000.00

Other (labs, upgrades, automation, etc.) \$_____,000.00

Specify : _____

Interest during construction \$_____,000.00

Contingency (10% of Construction) \$_____,000.00

TOTAL PROJECT COSTS \$_____,000.00

Funding sources other than DWSRF
(specify whether loan or grant):

_____ \$_____,000.00

_____ \$_____,000.00

BALANCE (Total project costs

minus other funding sources)

\$_____,000.00

Cost of issuance

(estimate 3% of Balance)

AMOUNT OF LOAN REQUEST \$_____,000.00

(Balance plus cost of issuance)

Section 4: Breakdown of SRF Eligible Cost per Designated Categories:

Treatment \$_____

Transmission & Distribution \$_____

Storage \$_____

Source \$_____

Land Acquisition \$_____

Purchase of other Systems \$_____

Refinancing \$_____

Other \$_____

Specify _____

Section 5: Projected Repayment Source

_____ User fees

_____ General funds

_____ Sales tax

_____ Other

Describe: _____

Is the source of repayment in place and available at this time?

Yes / No (circle)

If yes, specify. _____

Section 6: Anticipated Debt Structure/Security

_____ G.O. bonds

_____ Revenue bonds

Amount \$ _____

Have you passed bonds for this project? Yes/No (circle)

Section 7: Financial Information

Anticipated term of the loan: _____ years

Existing Customers _____ / Estimated customers at project completion _____

What is your collection delinquency rate? _____ Are you currently funding depreciation? Yes ____ No ____

Outstanding debt amount: \$ _____ When was the last time user fees were reviewed? _____

Existing annual debt service \$ _____ When was the last time user fees were increased? _____

Revenues less (minus) operating expenses for the last fiscal year equals = \$ _____

From a FINANCIAL STANDPOINT, do you have a combined water and sewer system? Yes ____ No ____

Section 8: Affordability (COMMUNITY WATER SYSTEMS ONLY. *Community water systems include, for example, public water supply districts, cities, and subdivisions. Community water systems may be publicly or privately owned.*)

Population served: _____

Number of households: _____

From the U.S. Census:

Median household income for the service area

\$ _____

Community(-ies) benefited by project _____

Current average monthly water bill for a typical household, per 5,000 gallons: \$ _____/mo.

Estimated average monthly water bill for a typical household,
per 5,000 gallons, following completion of this project: \$ _____/mo.**Section 9: Project Description.** Describe the major components of the project. The project for which funding is being requested must be limited to projects which will be bid for construction immediately following the DWRF loan closing deadline.

Section 10: SDWA Compliance. *Only existing public water systems are eligible for priority points under this section.*

Describe anticipated compliance benefits of the proposed project. The project for which funding is being requested must be limited to projects which will be bid for construction immediately following the DWRF loan closing deadline. Check all of the items listed below that apply to this project AND describe each item below. You must attach any other supporting documentation and specifically cross-referenced it in the narrative description. The department will consider only supporting documentation described on the application form. Please type or print legibly.

The project will (Check all that apply):

- ☐ Correct persistent violations of maximum contaminant levels or treatment performance criteria for acute risk contaminants (such as coliform, turbidity, or nitrate) within the past 36 months
- ☐ Correct persistent violations of treatment technique requirements
- ☐ Correct persistent violations of maximum contaminant levels for non-acute risk primary contaminants occurring within the past 36 months
- ☐ Correct persistent violations of maximum contaminant levels for secondary contaminants occurring within the past 36 months
- ☐ Enable the PWS to comply with certain anticipated federal regulations
- ☐ Enable the PWS to comply with an administrative order, bilateral compliance agreement, permit or other enforceable document issued by the Missouri Department of Natural Resources.

Section 11: Public Health.

Describe the anticipated public health benefits of the proposed project. The project for which funding is being requested must be limited to projects which will be bid for construction immediately following the DWRF loan closing deadline. Check all items listed below that apply to the project AND describe in the space provided. You must attach any other supporting documentation and specifically cross-reference it in the narrative description. The department will consider only supporting documentation described on the application form. Please type or print legibly.

- ☐ Existing public water systems only: At least 51% of the project will address problems causing a waterborne disease outbreak attributable to the PWS by the Department of Health.
- ☐ Existing public water systems only: The PWS can document its inability consistently to maintain >35 psi as a normal working pressure in the distribution system.
- ☐ Existing public water systems only: The PWS can document its inability consistently to maintain >20 psi at all service connections.
- ☐ Private or noncommunity wells or sources in the project service area are unable to consistently provide an adequate amount of potable water for general household purposes and at least 51% of the project addresses this need.

The project will (check all that apply):

- ☐ Provide a PWS with a backup well or backup interconnection with another PWS
- ☐ Address problem(s) with improper well construction
- ☐ Address unaccounted for water that exceeds 10% of the drinking water produced by the system, and the loss is due to leaking or broken water lines
- ☐ Provide necessary modifications to a distribution system anticipated to exceed design capacity or useful life within the next five years
- ☐ Address a demonstrated need to replace faulty pipes or substandard pipe materials
- ☐ Address a demonstrated need for distribution system valves and flushing devices
- ☐ Address a demonstrated need for looping of water mains
- ☐ Address an inability to maintain a disinfectant residual at all points in the distribution system
- ☐ Address water storage facilities in poor condition not related to inadequate maintenance
- ☐ Provide the PWS with a storage capacity equal to one day's average use OR provide the PWS with adequate standby power
- ☐ Provide necessary modifications to a source or treatment facility anticipated to exceed design capacity or useful life within the next five years
- ☐ Address significant degradation of the quality of raw water supply
- ☐ Address significant degradation of the quality of finished water in storage
- ☐ Enable the PWS to meet existing state requirements for the treatment and/or storage of waste residues generated by the water treatment plant
- ☐ Enable repair or replacement of treatment facilities for required disinfection or turbidity removal which are severely deteriorated and beyond the useful life of the facility

- ☐ The facility's source is vulnerable to natural disasters (such as flood or drought) or contamination.
- ☐ The facility's treatment plant is vulnerable to natural disasters (such as flood or earthquake) or contamination.
- ☐ The facility is located in a DNR-approved Wellhead Protection Area.

- ☐ At least 51% of the project cost is for repair or replace an existing public water system damaged or destroyed by a natural disaster (*Note: Documentation must be submitted, along with a statement that adequate state or federal disaster relief is not available.*)

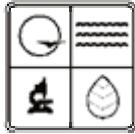
The project will (check all that apply):

- ☐ Provide necessary upgrades to facilities of a primary water system to continue or expand services as a regional water supplier.
- ☐ Result in the permanent supply interconnection of two or more existing public water systems. (This includes new water systems that allow small water systems within their boundaries to consolidate.)
- ☐ Result in a regional management system responsible for the day-to-day operation of the water system.
- ☐ Provide the necessary upgrades or new water distribution system to meet the standards of a regional supplier for the propose of consolidation.
- ☐ Enable the PWS to enhance the water system security.

(Public Health, continued)

Authorized Signature

Title _____ Date



Missouri Department of Natural Resources
Water Protection Program
P. O. Box 176, Jefferson City, MO 65102-0176

Missouri Drinking Water Revolving Fund Priority Point Criteria

Approved by the Safe Drinking Water Commission
July 18, 2006

GENERAL INFORMATION

The department must prepare annually a document called the Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) that includes lists of proposed projects expected to qualify for financing within the fiscal year addressed by the IUP. These priority point criteria will be used to evaluate the DWSRF leveraged loan application to be addressed by the State Fiscal Year 2007. A project must be listed in the IUP to be eligible for funding. The projects must be listed in priority order.

The purpose of these priority point criteria is to list projects as to their priority order so that the most serious problems are given the highest priority. Consistent with the federal Safe Drinking Water Act (SDWA), priorities are based primarily on protection of public health, compliance with the SDWA and household affordability.

Assignment of Priority Points

Priority points shall be assigned only where the proposed project is intended to correct the problem that is associated with the points. For example, if the public water system has had persistent violations of a secondary MCL but the proposed project does not address that problem, the 10 points associated with persistent violations of a secondary MCL will not be assigned.

The sections on Distribution System Reliability (section II.C.2.) and Design Considerations (section II. C. 6.) are limited to a maximum of 20 points each. This is done in order to ensure that projects addressing MCL violations are not overwhelmed by projects addressing only design considerations or distribution system problems. The 25 points available for violations of acute risk contaminant MCLs was used as the baseline in developing the priority point criteria.

Projects will be ranked by the number of points received. In the event of a tie, the project receiving the highest number of points under Distribution System Reliability and Design Considerations (sections II.C.2. and II. C. 6.) with the 20 point maximum limits lifted will receive the higher ranking. If the projects are still tied, the secondary tie-breaking criteria will be number of affordability points. The applicant with the highest affordability points will receive the higher ranking. If the projects are still tied, the third tier of tie-breaking criteria will be the number of people served. The system serving the larger number of people will receive the higher ranking.

Projects that involve the refinancing of existing debt will for the purpose of priority ranking, receive priority points only for affordability.

No priority points shall be assigned to a project intended to correct deficiencies resulting from inadequate operation and maintenance of the public water system.

Priority point assignment and listing in the IUP do not guarantee that all financial and project eligibility requirements have been met.

Priority Points

- I. **Safe Drinking Water Act Compliance.** *Only projects for existing eligible public water systems will be assigned points under this section. See the attached list, “SDWA Compliance Priority Points: Existing and Anticipated Regulations” for further explanation of categories A.-D. below.*
 - A. **Acute Risk Contaminants.** 25 points will be assigned if there have been persistent violations of maximum contaminant levels (MCLs) or treatment performance criteria for acute risk contaminants (such as coliform, turbidity or nitrate) within the past 36 calendar months.
 - B. **Treatment Technique Requirements.** 20 points will be assigned if there have been persistent violations of treatment technique requirements on the attached list, “SDWA Compliance Priority Points: Existing and Anticipated Regulations” (such as, for example, the Surface Water Treatment Rule, Lead & Copper, etc.).
 - C. **Non-Acute Risk Contaminants.**
 - 1. 15 points will be assigned if there have been persistent violations of any non-acute risk primary MCL within the past 36 calendar months.
 - 2. 10 priority points will be assigned if there have been persistent violations of any secondary MCL within the past 36 calendar months.
 - D. **Anticipated Federal Regulations.** 15 points will be assigned if the proposed project will enable the public water system to comply with anticipated federal regulations identified on the attached list, “SDWA Compliance Priority Points: Existing and Anticipated Regulations.”
 - E. **Compliance.** 10 points will be assigned if the proposed project will enable an eligible public water system to comply with an administrative order, a bilateral compliance agreement, or other enforceable document issued by the Missouri Department of Natural Resources.
- II. **Public Health.**
 - A. **Waterborne Disease Outbreak.** 25 points will be assigned if a waterborne disease outbreak as declared by the Department of Health is attributable to an existing public water system and 51 percent or more of the cost of the proposed project addresses the problem(s) causing the waterborne disease outbreak.
 - B. **Inadequate Water Supply.**
 - 1. 10 points will be assigned if an existing public water system can document its inability to consistently maintain at least 35 psi as a normal working pressure in the distribution system.
 - 2. 10 points will be assigned if an existing public water system can document its inability to consistently maintain pressures of at least 20 psi at all service connections.

3. 20 points will be assigned if the private or noncommunity wells or sources in the proposed project service area are unable to consistently provide an adequate amount of potable water for general household purposes and 51 percent or more of the cost of the proposed project addresses this need. Private or noncommunity wells or sources contaminated by commercial, industrial or mining wastes will be considered in this category.
- C. Public Water System Infrastructure Improvement. *Note: Only projects for existing eligible public water systems will be assigned points under this subsection.*
1. System source reliability.
 - a. 10 points will be assigned a project that addresses a need for new backup well or a backup interconnection with another public water system.
 - b. 10 points will be assigned if the system has one or more improperly constructed wells.
 2. Distribution system reliability. *(Limited to a maximum of 20 points.)*

Reminder: After points have been calculated for all eligible applicants, ties will be broken by calculating total points possible under this section and section II.C.6., design considerations, without the 20 point limitations. The project receiving the higher score under these two sections without the 20 point limitations will be ranked above the project receiving the lower score.

 - a. 10 points will be assigned if the system has unaccounted-for water that exceeds 10 percent of the drinking water produced by the system, and the water loss is due to broken and/or leaking waterlines.
 - b. 10 points will be assigned if the distribution system is anticipated to exceed design capacity or useful facility life within the next five years.
 - c. 10 points will be assigned if the distribution system has faulty waterlines or substandard waterline materials.
 - d. 5 points will be assigned if the public water system requires distribution system valves and flushing devices.
 - e. 5 points will be assigned if the public water system requires looping of water waterlines.
 3. Disinfection. 10 points will be assigned if a public water system is unable to maintain a disinfectant residual at all points in its distribution system.
 4. 10 points will be assigned if a system has storage facilities in poor condition, not related to inadequate maintenance of the facilities.
 5. Reliability of service. 10 points will be assigned if a system has water storage capacity that is less than one day's average use or lacks adequate standby power.
 6. Design considerations. *(Limited to a maximum of 20 points)*

Reminder: After points have been calculated for all eligible applicants, ties will be broken by calculating total points possible under this section and section II.C.2., system distribution reliability, without the 20 point limitations. The project receiving the higher score under these two sections without the 20 point limitations will be ranked above the project receiving the lower score.

- a. 20 points will be assigned if the source or treatment facility is anticipated to exceed its useful life or if the demand is expected to exceed the design capacity within the next five years.
 - b. 20 points will be assigned if a system has suffered significant degradation of the quality of the raw water supply.
 - c. 20 points will be assigned if a system has suffered significant degradation of the quality of finished water in storage.
 - d. 10 points will be assigned if a system currently does not meet existing state requirements for the treatment and/or storage of waste residues generated by the water treatment plant.
7. 20 points will be assigned if the treatment facility(-ies) for required disinfection or turbidity removal are severely deteriorated and beyond the facility useful life.
 8. Vulnerability.
 - a. 10 points will be assigned to a water system whose source is vulnerable to natural disasters (such as flood or drought) or contamination.
 - b. 10 points will be assigned to a water system whose treatment plant is vulnerable to natural disasters (such as flood, earthquake, etc.) or contamination.
- D. Wellhead and Watershed Protection. 10 Points will be awarded to applicants who have a DNR-approved wellhead protection plan or watershed protection plan.

III. *Affordability. Only community water system projects will be assigned points under this section.*

- A. Annual Median Household Income. The statewide annual median household income levels of the state must be determined from income data from the latest census of the United States.
 1. A community water system will use the annual median household income for the appropriate political subdivision or subdivisions encompassing its service area.
 2. A nonmunicipal community water system will use the annual median household income for the smallest political subdivision encompassing the nonmunicipal community water system.
- B. Assignment of Points. *(Limited to a maximum of 25 points)*
 1. 10 points will be assigned a project sponsored by a community water system with an annual median household income below the annual median household income for

either the metropolitan or nonmetropolitan area, as applicable.

2. From 1 to 25 points will be assigned, determined by the ratio of monthly water bill for 5,000 gallons of water to the monthly median household income for the project area to be served (expressed in percent times 10) and rounded to the nearest whole number.

For example: Monthly water bill = \$20

Annual median household income = \$24,000

Monthly median household income = \$24,000/12 = \$2,000

$(\$20/\$2000) \times 100\% = 1\%$

$1\% \times 10 = 10 \text{ points}$

IV. Additional Priority Point Categories.

- A. Natural disasters. 10 points will be assigned if 51 percent or more of the proposed project cost is for repair or replacement of an existing public water system damaged or destroyed by a natural disaster. In order to be assigned these points, the project must be located in an area declared a federal or state natural disaster area, and a description of the public water system damaged or destroyed by the natural disaster must be submitted along with a statement that other state or federal disaster relief is not sufficient to meet the costs of the project.
- B. Consolidation.
 1. 20 points will be assigned a project that provides necessary upgrades to facilities of a primary water system to continue or expand services as a regional water supplier.
 2. 20 points will be assigned if the proposed project will result in the permanent supply interconnection of two or more existing public water systems, where at least one of the systems has demonstrated technical, managerial, and financial capacity with respect to the national primary drinking water regulations. This would include new water systems (generally water districts) which will allow small water systems within their boundaries to consolidate.
 3. 10 points will be assigned for consolidation of two or more public water systems or if the proposed project will result in a regional management system responsible for the day-to-day operation of the water system, where the management system has the required technical, managerial, and financial capacity to meet the national primary drinking water regulations. If the project meets the criteria for the points under item IV.B.4., points under this criteria will not be awarded.
 4. 20 points will be assigned if the proposed project will result in a new water distribution system or upgrade of an existing water distribution system to meet the standards of a regional water supplier for the purpose of consolidation.
- C. Security.

10 points will be assigned for eligible security measures. Eligible security measures include vulnerability assessments, emergency response plans, fencing, security cameras and lights, motion detectors, secure chemical and fuel storage, security hatches and access panels, and cross-connection control.

Drinking Water Revolving Fund
PRIORITY POINT CRITERIA

SDWA Compliance Priority Points: Existing and Anticipated Regulations

I. Maximum Contaminant Levels (MCL) and Treatment Technique Requirements.

Acute Risk Contaminants

10 CSR 60-4.020 Maximum Microbiological Contaminant Levels and Monitoring Requirements, subsections (7)(A) and (7)(B)

10 CSR 60-4.030 Maximum Inorganic Chemical Contaminant Levels, Action Levels, and Monitoring Requirements, numbers 13, 14 and 15 in section (1)

10 CSR 60-4.050 Maximum Turbidity Contaminant Levels and Monitoring Requirements, subsections (2)(D) and (3)(D)

Treatment Technique Requirements

10 CSR 60-4.050 Maximum Turbidity Contaminant Levels and Monitoring Requirements, subsections (2) and (3).

10 CSR 60-4.055 Disinfection Requirements, subsection (1)(A), section (2), section (3), section (4), section (5), and section (6).

10 CSR 60-4.090 Maximum Contaminant Level and Monitoring Requirements for Disinfection By-Products, subsections (1)(D) and (4)(D)

10 CSR 60-15.010 General Requirements (lead and copper), sections (4), (5) and (6)

Non-Acute Primary MCL

10 CSR 60-4.030 Maximum Inorganic Chemical Contaminant Levels, Action Levels, and Monitoring Requirements, section (1), including the revised arsenic MCL proposed April 15, 2003.

10 CSR 60-4.040 Maximum Synthetic Organic Chemical Contaminant Levels and Monitoring Requirements, section (1)

10 CSR 60-4.060 Maximum Radionuclide Contaminant Levels and Monitoring Requirements, subsections (1)(A)-(D)

10 CSR 60-4.090 Maximum Contaminant Level and Monitoring Requirements for Disinfection By-Products, subsections (1)(A)-(C)

10 CSR 60-4.100 Maximum Volatile Organic Chemical Contaminant Levels and Monitoring Requirements, section (2)

Secondary MCL

10 CSR 60-4.070 Secondary Contaminant Levels and Monitoring Requirements, section (1)

II. New and Anticipated Federal Regulations.

Radon

In anticipation of new standards for radon, points will be awarded for projects that will bring these systems into compliance with those standards. EPA's proposed rule was published in the Nov. 2, 1999 *Federal Register* (64 FR 59246).

Ground Water Rule

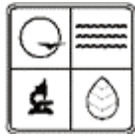
EPA is developing rules to specify appropriate use of disinfection and address other components of ground water systems. In anticipation of the Ground Water Rule, points will be awarded for projects that will bring these systems into compliance with those standards. EPA's proposed rule was published in the May 10, 2000 *Federal Register* (65 FR 30193).

Long-Term 2 Enhanced Surface Water Treatment Rule

New Long-Term 2 ESWTR, points will be awarded for projects that will bring effected systems into compliance with the standards. The new standards are found in an Agreement in Principle by EPA. The Agreement in Principle and other information are available on the LT2 home page at <http://www.epa.gov/safewater/lt2/index.html>.

Stage 2 Disinfectants/Disinfection By-Products Rule

New Stage 2 D/DBPR, points will be awarded for projects that will bring effected systems into compliance with the new standards. The new standards are found in the same Agreement in Principle referenced above.



Missouri Department of Natural Resources
Water Protection Program
P. O. Box 176, Jefferson City, MO 65102-0176

Missouri Drinking Water State Revolving Fund
Readiness to Proceed and Distribution of Funds Criteria

Approved by the Safe Drinking Water Commission
July 18, 2006

General Information

In order to assure best use of the drinking water loan funds in a reasonably expeditious manner, the department will begin recognizing the effort of Drinking Water State Revolving Fund (DWSRF) applicants to complete their proposed project. Also, to ensure availability of DWSRF loan funds to more water systems, the department is including an annual funding limitation.

I. Readiness to Proceed

Readiness to Proceed criteria will be used to determine fundable status and the distribution of available and anticipated DWSRF funds. Readiness to Proceed criterion is defined as any project that, at a minimum, has submitted a complete facility plan and has secured voter approved bond authorization or received agency an acceptable debt instrument. See the attached completeness checklist for drinking water facility plans. See the Distribution of DWSRF Funds section for details as to how the department proposes to list new and carry-over DWSRF projects in the next Intended Use Plan.

J. Maximum Loan Limit

The maximum par amount for a DWSRF loan from any single IUP shall not exceed 30 percent of the total available and anticipated loan fund or \$10 million, whichever is less, unless the department receives approval from the Missouri Safe Drinking Water Commission (SDWC) to exceed such limits.

Distribution of DWSRF Funds

Based on priority points and readiness to proceed, the following describes how the department intends to list the DWSRF projects for the purpose of committing DWSRF loan funds. The department will designate DWSRF projects in the Drinking Water Intended Use Plan (DWIUP) as either Fundable, Fundable Contingency, or Planning. Projects designated as Fundable are those projects that the department has committed to finance with available or anticipated State Revolving Funds under the DWIUP. The department's commitment to "Fundable" projects is to reserve loan funds in the amount requested until the applicant secures the DWSRF loan or until the application period expires. Fundable Contingency projects are those projects meeting readiness to proceed but not receiving funding commitments due to the lack of SRF funds. Projects designated as Planning are those projects that have not yet met the definition of Readiness to Proceed criteria.

The department will initially reserve 20 percent of the available or anticipated uncommitted funds for very small water systems (systems which serve 3,300 or fewer people) that submit a loan application meeting the Readiness to Proceed criteria by the application receipt deadline. The department will reserve 15 percent for small water systems (systems which serve from 3,301 to 9,999 people) that submit a loan application meeting the Readiness to Proceed criteria by the application receipt deadline. Any initially reserved funds for small or very small water systems that are not committed will be transferred to the "general reserves" and made available to commit to projects that meet Readiness to Proceed criteria and committed according to priority ranking of the projects. Any uncommitted funds available after the

application receipt deadline will be committed to projects in the order that the projects meet “Readiness to Proceed”. In the case where funds reserved for small or very small systems are not fully utilized, the department can give preference to such projects in the future.

I. Fundable List.

All eligible carry-over applications from last year’s Fundable List will retain their same funding commitment from the prior IUP, unless bypassed. All carry-over applications from last year’s Fundable Contingency List and new DWSRF applications received this year that meet the criterion for “Readiness to Proceed” will be placed on the “Fundable” list in order of priority ranking. Those projects below the funding cutoff will be placed on the “Fundable Contingency”. Carry-over projects will retain the points they received in the last year’s IUP unless they reapplied for consideration under the latest criteria (such projects are then deemed new applications).

II. Fundable Contingency List.

These are eligible projects that meet “Readiness to Proceed” but due to priority ranking, timing, or funding limitations will not receive funding commitments. These projects will be ranked on the list in accordance with their priority points. If uncommitted funds become available, the department, with the Safe Drinking Water Commission’s approval, will move the highest-ranking project from this list to the Fundable List.

III. Planning List.

These are the eligible carry-over or new projects that do not meet the Readiness to Proceed criterion to make the Fundable or Fundable Contingency List. These projects will be ranked according to their priority points. Any application(s) that meets the Readiness to Proceed criteria, subject to the availability of funding, may be moved to the fundable or fundable contingency list and shall be incorporated into the appropriate list in priority point order.

By-Pass Procedures

The department may by-pass any project on the fundable list that does not make satisfactory progress toward meeting requirements. Procedures for by-passing projects are contained in 10CSR 60-13.020(3)(A).

Refinancing and Refunding Criteria for Readiness to Proceed

Projects that involve both new projects financing plus the refinancing or refunding of existing debt will only retain the new project priority points if:

- A. the refinancing or refunding is necessary to meet affordability criteria after the current project financing is factored into the applicant’s total debt service, and
- B. it is a current refinancing or refunding, **OR** in an advance refinancing/refunding, interest portion of the defeasance escrow attached to the SRF program shall include no more than two years of interest on the bonds to be refunded, and
- C. the current debt is not that of another state or federal agency, and
- D. refinanced or refunded debt will only incorporate level or net level debt amortization structures.

Projects that only involve the refinancing of existing debt will only receive priority points for affordability.

If it is determined that a refinancing or refunding project has not followed the DWSRF environmental and procurement requirements then commitment to fund such projects will be considered on a case-by-case basis depending on availability of funds and the merits of the project as determined by the department and the Safe Drinking Water Commission.



Missouri Department of Natural Resources
Water Protection Program
P. O. Box 176, Jefferson City, MO 65102-0176

Drinking Water State Revolving Fund
Facility Plan Submittal Checklist
(*This form must be submitted with the Facility Plan*)

1.0 Facility Plan Information in accordance with 10 CSR 60-13.020 (2)(F) (Check the enclosed items.):

- ☐ Be consistent with accepted engineering practice.
- ☐ Appropriate design period
- ☐ Current and projected hydraulic loading
- ☐ General project design criteria
- ☐ Describe the purpose and need of the project.
- ☐ Study and evaluate the most feasible, economic, and environmentally sound alternatives.
- ☐ Current and estimated future user charge (cost per 5,000 gallons)
- ☐ Current and future water demand
- ☐ Detailed project budget
- ☐ Include a project schedule (Including the following dates: Construction start, construction completion, initiation of operation, and project completion)
- ☐ Sealed by registered Missouri professional engineer
- ☐ Selected site location

2.0 Clearance Letters in accordance with 10CSR 60-13.030:

- ☐ Army Corps Of Engineers
- ☐ DNR Historic Preservation
- ☐ Department Of Conservation
- ☐ United States Fish and Wildlife
- ☐ GSRAD (wells and storage tanks)
- ☐ A-95 Clearing House
- ☐ Division of State Parks (If infringes on federally funded parks)

3.0 Public Participation in accordance with 10CSR 60-13.020(2)(E) and 10 CSR 60-13.030 (5)(B)2.:

- ☐ Hold a public hearing to discuss the proposed project, proposed alternative, and its possible environmental impact
- ☐ Provide a transcript of the hearing and a list of attendees to the department
- ☐ Provide to the department proof that advertisement and notification of the meeting(s) proceeded the hearing by 30 days

4.0 Environmental Efforts in accordance with 10 CSR 60-13.030 (5)(B)1.:

- ☐ Information describing any irreversible and irretrievable commitment of resources to the proposed project
- ☐ Information describing the future of the environment without the project
- ☐ The potential environmental impacts of the project as proposed including those which cannot be avoided
- ☐ The relationship between the short-term uses of the environment and the Maintenance and enhancement of long-term productivity

Review will not be initiated until items in section 1.0 above are submitted. Issuance of an environmental review and final approval of the Facility Plan can not be given until all items have been submitted.

Attach a schedule for submittal of any remaining information/documents.

5.0 Signature:

The undersigned official of the applicant ensures that the information contained herein and the attached documents are true, correct, and complete to the best of my knowledge and belief.

Preparer's Signature: _____

Title: _____

Date: _____